

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Billings Township	County Gladwin
Audit Date 3/31/03	Opinion Date 4/30/03	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Burnside & Lang, P.C.			
Street Address 5915 Eastman Avenue, Suite 100	City Midland	State MI	ZIP 48640
Accountant Signature <i>M. Lang</i> 9/25/03			

**Township of Billings  
Gladwin County, Michigan**

**For The Year Ended March 31, 2003**

Boyd Wallace	Supervisor
Eleanor Allen	Treasurer
Sandra Aultman	Clerk
Theresa Millhisler	Trustee
Minnie Swinson	Trustee

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

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**Independent Auditors' Report**

To The Honorable Members of  
The Township Board  
Township of Billings  
Gladwin County, Michigan

We have audited the general purpose financial statements of the Township of Billings, Gladwin County, Michigan, as of and for the year ended March 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Billings, Gladwin County, Michigan, at March 31, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as combining fund financial statements and supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Billings, Gladwin County, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Midland, Michigan  
April 30, 2003

**TOWNSHIP OF BILLINGS**  
**GLADWIN COUNTY, MICHIGAN**

**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**March 31, 2003**

	<u>Governmental Funds</u>		<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Account Group</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Current Tax Collection Fund</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>						
Cash in bank	\$ 84,428	\$ 124,838	\$ 634,000	\$ 889		\$ 844,155
Certificates of deposit	224,653	25,000				249,653
Taxes and fees receivable	6,886	32,313				39,199
Due from other funds	11,467					11,467
Due from other governmental units	2,625					2,625
Construction in progress			111,770			111,770
Land and land improvements					51,244	51,244
Buildings					282,032	282,032
Equipment					900,957	900,957
<b>TOTAL ASSETS</b>	<b>\$ 330,059</b>	<b>\$ 182,151</b>	<b>\$ 745,770</b>	<b>\$ 889</b>	<b>\$ 1,234,233</b>	<b>\$ 2,493,102</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Due to other funds	\$ -	\$ 10,578	\$ 111,770	\$ 889	\$ -	\$ 123,237
Bond payable			634,000			634,000
Accounts payable	42,318	1,409				43,727
<b>Total Liabilities</b>	<b>42,318</b>	<b>11,987</b>	<b>745,770</b>	<b>889</b>		<b>800,964</b>
<b>Fund Balance</b>						
Investment in general fixed assets					1,234,233	1,234,233
Fund Balances:						
Unreserved						
Designated	19,138					19,138
Undesignated	268,603	170,164				438,767
<b>Total Fund Balance</b>	<b>287,741</b>	<b>170,164</b>			<b>1,234,233</b>	<b>1,692,138</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 330,059</b>	<b>\$ 182,151</b>	<b>\$ 745,770</b>	<b>\$ 889</b>	<b>\$ 1,234,233</b>	<b>\$ 2,493,102</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For The Year Ended March 31, 2003**

	<b>Governmental Fund Types</b>		<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>REVENUES</b>			
Property taxes	\$ 66,638	\$ 107,029	\$ 173,667
State revenue sharing	210,095		210,095
Charges for services	16,217	107,431	123,648
Interest income	10,969	2,398	13,367
Rental fees	5,384		5,384
Zoning	4,380		4,380
Cable franchise fees	10,544		10,544
Cemetery revenue	5,250		5,250
Miscellaneous fees and revenue	1,575	1,646	3,221
<b>Total Revenues</b>	<b>331,052</b>	<b>218,504</b>	<b>549,556</b>
<b>EXPENDITURES</b>			
Supervisor	8,500		8,500
General Services Administration			
Appraisal services	33,931		33,931
Clerk	8,500		8,500
Retirement	2,213		2,213
Board of review	1,800		1,800
Treasurer	11,389		11,389
Payroll taxes	2,135		2,135
Telephone	2,635		2,635
Town hall	11,663		11,663
Office supplies	5,314		5,314
Miscellaneous	19,281		19,281
Printing and publishing	5,066		5,066
Audit and accounting	7,456		7,456
Mileage and travel	8,298		8,298
Cemetery	1,500		1,500
Other salaries	24,251		24,251
Attorney	2,650		2,650
Dues and memberships	1,205		1,205
Public safety		35,076	35,076
Education	2,221		2,221
Highways and streets	86,838		86,838
Street lights and utilities	7,347		7,347
Data processing	5,242		5,242
Sanitation	16,828	149,304	166,132
Insurance and bonds	6,784		6,784
Capital outlays	11,083	26,799	37,882
<b>Total Expenditures</b>	<b>294,130</b>	<b>211,179</b>	<b>505,309</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>36,922</b>	<b>7,325</b>	<b>44,247</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer out to other fund	(42,343)		(42,343)
Operating transfer in from other fund		42,343	42,343
<b>Total Other Financing Sources (Uses)</b>	<b>(42,343)</b>	<b>42,343</b>	
<b>Excess (Deficiency) of Revenues and Other Sources (Uses) over Expenditures</b>	<b>(5,421)</b>	<b>49,668</b>	<b>44,247</b>
<b>Fund Balances At The Beginning Of The Year</b>	<b>293,162</b>	<b>120,496</b>	<b>413,658</b>
<b>FUND BALANCES AT THE END OF THE YEAR</b>	<b>\$ 287,741</b>	<b>\$ 170,164</b>	<b>\$ 457,905</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
ALL GOVERNMENTAL FUND TYPES  
For The Year Ended March 31, 2003**

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTAL (Memorandum only)		
	Budget (As Amended)	Actual	Variance (Un) Favorable	Budget (As Amended)	Actual	Variance (Un) Favorable	Budget (As Amended)	Actual	Variance (Un) Favorable
<b>REVENUES</b>									
Property taxes	\$ 137,353	\$ 66,638	\$ (70,715)	\$ 31,229	\$ 107,029	\$ 75,800	\$ 168,582	\$ 173,667	\$ 5,085
State revenue sharing	226,000	210,095	(15,905)				226,000	210,095	(15,905)
Charges for services	14,300	16,217	1,917	126,869	107,431	(19,438)	141,169	123,648	(17,521)
Interest income	1,400	10,969	9,569	2,200	2,398	198	3,600	13,367	9,767
Rental fees	5,200	5,384	184				5,200	5,384	184
Zoning	4,000	4,380	380				4,000	4,380	380
Cable franchise fee	11,000	10,544	(456)				11,000	10,544	(456)
Cemetery revenue	4,350	5,250	900				4,350	5,250	900
Miscellaneous fees and revenues	30,000	1,575	(28,425)	4,200	1,646	(2,554)	34,200	3,221	(30,979)
<b>Total Revenues</b>	<b>433,603</b>	<b>331,052</b>	<b>(102,551)</b>	<b>164,498</b>	<b>218,504</b>	<b>54,006</b>	<b>598,101</b>	<b>549,556</b>	<b>(48,545)</b>
<b>EXPENDITURES</b>									
Supervisor	8,500	8,500					8,500	8,500	
General Services Administration									
Appraisal services	35,452	33,931	1,521				35,452	33,931	1,521
Clerk	8,500	8,500					8,500	8,500	
Retirement	2,213	2,213					2,213	2,213	
Board of review	1,800	1,800					1,800	1,800	
Treasurer	19,948	11,389	8,559				19,948	11,389	8,559
Payroll taxes	7,500	2,135	5,365				7,500	2,135	5,365
Telephone	3,000	2,635	365				3,000	2,635	365
Town hall	12,100	11,663	437				12,100	11,663	437
Office supplies	8,450	5,314	3,136				8,450	5,314	3,136
Miscellaneous	21,401	19,281	2,120				21,401	19,281	2,120
Printing and publishing	195	5,066	(4,871)				195	5,066	(4,871)
Audit and accounting	4,900	7,456	(2,556)				4,900	7,456	(2,556)
Mileage and travel	6,350	8,298	(1,948)				6,350	8,298	(1,948)
Cemetery	6,765	1,500	5,265				6,765	1,500	5,265
Other salaries	34,973	24,251	10,722				34,973	24,251	10,722
Attorney	9,800	2,650	7,150				9,800	2,650	7,150
Dues and memberships	3,275	1,205	2,070				3,275	1,205	2,070
Public safety				84,200	35,076	49,124	84,200	35,076	49,124
Education	9,145	2,221	6,924				9,145	2,221	6,924
Elections	1,601		1,601				1,601		1,601
Highways and streets	162,655	86,838	75,817				162,655	86,838	75,817
Street lights and utilities	6,893	7,347	(454)				6,893	7,347	(454)
Data processing	2,300	5,242	(2,942)				2,300	5,242	(2,942)
Sanitation	16,329	16,828	(499)	150,000	149,304	696	166,329	166,132	197
Insurance and bonds	4,800	6,784	(1,984)				4,800	6,784	(1,984)
Capital outlays	6,000	11,083	(5,083)	800	26,799	(25,999)	6,800	37,882	(31,082)
<b>Total Expenditures</b>	<b>404,845</b>	<b>294,130</b>	<b>110,715</b>	<b>235,000</b>	<b>211,179</b>	<b>23,821</b>	<b>639,845</b>	<b>505,309</b>	<b>134,536</b>
Excess (Deficiency) of Revenues Over Expenditures	28,758	36,922	8,164	(70,502)	7,325	77,827	(41,744)	44,247	85,991
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfer out to other fund		(42,343)	(42,343)					(42,343)	(42,343)
Operating transfer in from other fund					42,343	42,343		42,343	42,343
<b>Total Other Financing Sources (Uses)</b>		(42,343)	(42,343)		42,343	42,343			
<b>Excess (Deficiency) of Revenues and Other Financing Sources (Uses) over Expenditures</b>	<b>28,758</b>	<b>(5,421)</b>	<b>\$ (34,179)</b>	<b>(70,502)</b>	<b>49,668</b>	<b>\$ 120,170</b>	<b>(41,744)</b>	<b>44,247</b>	<b>\$ 85,991</b>
Fund Balances At The Beginning Of The Year	293,162	293,162		120,496	120,496		413,658	413,658	
<b>FUND BALANCES AT THE END OF THE YEAR</b>	<b>\$ 321,920</b>	<b>\$ 287,741</b>		<b>\$ 49,994</b>	<b>\$ 170,164</b>		<b>\$ 371,914</b>	<b>\$ 457,905</b>	

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
For The Year Ended March 31, 2003**

	<u>Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ -
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Change in assets and liabilities which provided (used) cash:	
Accounts payable	<u>111,710</u>
<b>Net cash provided by (used for) operating activities</b>	<u>111,710</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of fixed assets	(111,710)
Proceeds from loans	<u>634,000</u>
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>522,290</u>
 <b>Net increase (decrease) in cash</b>	<b>634,000</b>
 Cash and Cash Equivalents At Beginning Of Period	<u>-</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 634,000</u></u>

The accompanying notes are an integral part of the financial statements



**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2003**

**NOTE 1. DESCRIPTION OF THE TOWNSHIP**

The Township of Billings is a predominately rural township located in Gladwin County, Michigan and covers an area of approximately 28 square miles. The Township operates under an elected five-member Board of Trustees and provides fire protection, garbage collection, and community enrichment and development to its 2,715 residents (2000 census).

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Billings, Gladwin County, Michigan, conform to generally accepted accounting principles. The following is a summary of the significant policies:

- A) **Scope of Reporting Entity.** In accordance with the provisions of the National Council on Government Accounting's Statement No.3, "Defining the Governmental Reporting Entity," the financial statements contain all the funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.
- B) **Basis of Accounting.** The modified accrual basis of accounting is followed by all funds. The modified accrual basis of accounting is defined as that method of accounting in which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred. Revenues are recorded when received in cash, except revenues derived from the levy of taxes and from charges for services rendered, which are recorded when levied or earned.
- C) **General Fixed Assets.** Purchases of general fixed assets are recorded as expenditures in the respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets account group except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in the general fixed assets account group at fair market value at the time of receipt. No depreciation has been provided for on the general fixed assets.
- D) **Property Taxes.** Property taxes are levied each December 1<sup>st</sup> and recorded as revenue at that time. Real property taxes not collected as of March 1<sup>st</sup> are turned over to Gladwin County, which advances the Township 100% for the delinquent taxes.
- E) **Budget Basis of Accounting.** Budgets are adopted on the modified accrual basis of accounting.
- F) **Basis of Presentation.** The financial activities of the Township of Billings are recorded in separate funds and account groups, categorized and described as follows:

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2003**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Funds**

**General Fund.** This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township of Billings. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Special Revenue Funds.** These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provision or administrative action.

**Proprietary Funds**

**Enterprise Funds.** The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Operating revenues within these funds consist of service fees billed and collected from the usage of sewer systems.

**Fiduciary Funds**

**Trust and Agency Fund.** This fund (Tax Collection Fund) is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

**Account Groups**

**General Fixed Assets Account Group.** This account group presents the fixed assets of the local unit utilized in its general operations.

- G) **Receivables.** Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible amounts have not been provided for because the Township Board does not consider collection doubtful and feels any uncollectible amounts would be immaterial.
- H) **Special Assessments.** Special assessments are recorded as revenue in the year they are collected or when they are turned over to Gladwin County as delinquent.
- I) **Encumbrances.** Encumbrances are defined as commitments related to unperformed contracts for goods or services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2003**

**NOTE 3. DESIGNATED FUND BALANCES**

This designated fund balance will be expended upon legislative authorization and upon improvements made to roads located in the special assessment district.

The designated fund balances are unreserved and designated for specific purposes as follows:

<u>Unreserved - Designated Purpose</u>	<u>Amount</u>
Fire apparatus	\$ 12,834
Road repairs - Kaypat	6,304
<b>Total</b>	<b><u>\$ 19,138</u></b>

**NOTE 4. TOTAL (MEMORANDUM ONLY)**

The combined financial statements of all fund types and account groups and all governmental fund types present total columns for the year ended March 31, 2003, which aggregate the columnar statements by fund types and account groups. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

**NOTE 5. CASH DEPOSITS**

As of March 31, 2003, the Township of Billings had the following amounts deposited:

Certificates of deposit - amounts insured	\$ 241,132
Certificates of deposit - amounts uninsured	8,880
Checking deposits - amounts insured	25,552
Checking deposits - amounts uninsured	818,244
<b>TOTAL</b>	<b><u>\$ 1,093,808</u></b>

These deposits are held by financial institutions with branches located in Gladwin County. All accounts are in the name of the Treasurer, Township of Billings, and a specific fund. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or are credited at year end to an accrued interest account.

Statutory Authority

Act 214, PA 1982, authorizes the Township to deposit and invest in:

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2003**

**NOTE 5. CASH DEPOSITS, (continued)**

- a) Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, or a credit union which is insured by the National Credit Union Administration, that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50 percent of any fund may be invested in commercial paper at any time.
- d) United States government or federal agency obligation repurchase agreements.
- e) Bankers' acceptances of United States.
- f) Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's investments are in accordance with statutory authority.

**NOTE 6. FIRE PROTECTION AGREEMENT**

Billings Township has entered into an agreement to provide fire protection services for Bentley Township, Gladwin County, Michigan. This agreement provides for a yearly lump sum payment of \$5,000, and \$450 per each fire run provided by the Billings Township Fire Department. These service fees are recorded as revenue within the general fund and designated for future purchase of fire apparatus.

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2003**

**NOTE 7. SIMPLIFIED EMPLOYEE PENSION PLAN**

During the year ended March 31, 1992, the Township of Billings established an immediate 100% vested Simplified Employee Pension (SEP) Plan, in which the Township contributes a discretionary percentage to an employee's individual retirement account on behalf of each Township employee who is at least 18 years old and elects to participate. The total payroll for all Township employees for the year ended March 31, 2003, was \$59,295 of which \$29,507 was covered under the plan. During the year ended March 31, 2003, the Township made contributions to the plan of 7.5% of the eligible employees' wages for a total of \$2,213.

**NOTE 8. DUE TO OTHER GOVERNMENTAL UNITS**

Amounts due to other governmental units and reported by the current tax collection fund at March 31, 2003, represent property taxes collected by the treasurer and not yet disbursed to the applicable taxing authorities at year end.

**NOTE 9. NOTE PAYABLE**

The note payable represents the balance of a loan from Chemical Bank and Trust Company used toward the purchase of a sanitary sewer system. The loan is secured by the proceeds of bonds to be issued by the Township to finance the costs of the Project and was scheduled to be repaid in five semi-annual installments, beginning November 1, 2003. The first payment will be for interest incurred of \$13,555, and the next four payments will also include accrued interest charged at 3.58%, with the final payment including the principal balance of \$634,000.

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
March 31, 2003**

	<u>Fire Fund</u>	<u>Garbage Collection Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash in bank	\$ 98,645	\$ 26,193	\$ 124,838
Certificate of deposit		25,000	25,000
Taxes and fees receivable	<u>13,007</u>	<u>19,306</u>	<u>32,313</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 111,652</u></b>	<b><u>\$ 70,499</u></b>	<b><u>\$ 182,151</u></b>
<b>LIABILITIES</b>			
Due to general fund	\$ 10,578	\$ -	\$ 10,578
Accounts payable	<u>1,409</u>		<u>1,409</u>
Total Liabilities	<u>11,987</u>		<u>11,987</u>
<b>FUND EQUITY</b>			
Fund balances -			
Unreserved	<u>99,665</u>	<u>70,499</u>	<u>170,164</u>
Total Fund Equity	<u>99,665</u>	<u>70,499</u>	<u>170,164</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 111,652</u></b>	<b><u>\$ 70,499</u></b>	<b><u>\$ 182,151</u></b>

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUND TYPES  
For The Year Ended March 31, 2003**

	<u>Fire Fund</u>	<u>Garbage Collection Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Property taxes	\$ 107,029	\$ -	\$ 107,029
Interest income	776	1,622	2,398
Charges for services		107,431	107,431
Miscellaneous fees and revenue	<u>1,646</u>		<u>1,646</u>
<b>Total Revenues</b>	<u>109,451</u>	<u>109,053</u>	<u>218,504</u>
<b>EXPENDITURES</b>			
Public safety	35,076		35,076
Capital outlays	26,799		26,799
Sanitation		<u>149,304</u>	<u>149,304</u>
<b>Total Expenditures</b>	<u>61,875</u>	<u>149,304</u>	<u>211,179</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>47,576</b>	<b>(40,251)</b>	<b>7,325</b>
<b>OTHER FINANCING SOURCES</b>			
Operating transfer from other fund	<u>42,343</u>	<u>-</u>	<u>42,343</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<b>89,919</b>	<b>(40,251)</b>	<b>49,668</b>
<b>Fund Balances - Beginning of Year</b>	<u>9,746</u>	<u>110,750</u>	<u>120,496</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 99,665</u></u>	<u><u>\$ 70,499</u></u>	<u><u>\$ 170,164</u></u>

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN  
CURRENT TAX COLLECTION FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
For The Year Ended March 31, 2003**

<b>CASH IN BANK AT BEGINNING OF YEAR</b>	<b>\$</b>	<b>337</b>
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**RECEIPTS**

Current taxes and special assessment spread	\$ 2,793,760	
Returned roll - real and personal	(285,427)	
Interest and other receipts	<u>3,207</u>	
 Total Receipts		 <u>2,511,540</u>
 <b>Total Beginning Cash and Receipts</b>		 <b>2,511,877</b>

**DISBURSEMENTS**

Township			
General	\$ 48,601		
Fire	94,313		
Special assessment	11,302		
Garbage assessment	<u>89,735</u>	243,951	
 County			
Taxes	<u>806,255</u>	1,050,206	
 Beaverton School District		1,236,109	
I.S.D. and colleges		<u>224,673</u>	
 <b>Total Disbursements</b>			 <u><b>2,510,988</b></u>

<b>CASH IN BANK AT END OF YEAR</b>	<b>\$</b>	<b><u>889</u></b>
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**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN**

**CURRENT TAX COLLECTION FUND  
Summary of 2002-2003 Taxes**

	<u>Total</u>	<u>Beaverton Schools</u>	<u>Gladwin County</u>	<u>Intermediate School District</u>	<u>Township of Billings</u>	<u>Mid- Michigan College</u>	<u>Sanitation</u>	<u>Special Assessments</u>
Total taxes and fees levied (as adjusted)	\$ 2,567,544	\$ 1,345,485	\$ 912,308	\$ 159,194	\$ 55,032	\$ 95,525	\$ -	\$ -
Assessments and charges for services	<u>226,216</u>						<u>107,431</u>	<u>118,785</u>
Total tax roll	2,793,760	1,345,485	912,308	159,194	55,032	95,525	107,431	118,785
Collected to March 31, 2003	<u>2,508,333</u>	<u>1,233,493</u>	<u>806,231</u>	<u>140,412</u>	<u>48,599</u>	<u>84,251</u>	<u>89,735</u>	<u>105,612</u>
Percent collected	89.78%							
Returned delinquent	<u>\$ 285,427</u>	<u>\$ 111,992</u>	<u>\$ 106,077</u>	<u>\$ 18,782</u>	<u>\$ 6,433</u>	<u>\$ 11,274</u>	<u>\$ 17,696</u>	<u>\$ 13,173</u>
Percent returned delinquent	10.22%							

**TOWNSHIP OF BILLINGS  
GLADWIN COUNTY, MICHIGAN  
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
For The Year Ended March 31, 2003**

	<b><u>BALANCE</u></b> <b><u>4/1/02</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b><u>BALANCE</u></b> <b><u>3/31/03</u></b>
<b>General Fixed Assets</b>				
Land and land improvements	\$ 51,244	\$ -	\$ -	\$ 51,244
Buildings	282,032			282,032
Equipment	<u>863,075</u>	<u>37,882</u>		<u>900,957</u>
<b>Investment in General Fixed Assets</b>	<b><u>\$ 1,196,351</u></b>	<b><u>\$ 37,882</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,234,233</u></b>

August 11, 2003

Township Board  
Billings Township  
Gladwin County, MI

Dear Board Members:

We have recently completed our audit of the financial statements of Billings Township, Gladwin County, for the year ended March 31, 2003. As a result of that engagement, we would like to offer the following comments and recommendations.

**Internal Controls**

In planning and performing our audit of the financial statements of Billings Township for the year ended March 31, 2003, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance of the internal controls. However, we noted certain matters involving internal controls and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

*Segregation of Duties* - The basis for achieving proper internal control for any accounting system is a proper segregation of duties among an Organization's personnel. The Township does not have segregation of duties among the accounting functions of preparing checks for payment, classifying expenditures, recording cash receipts, reconciling bank accounts, maintaining a general ledger, and preparation of monthly reports. These functions would be segregated in a system of strong internal control.

However, due to the size of the staff, a proper segregation of these duties may be impractical and the "cost to benefit" relationship may not justify the addition to the accounting staff.

We recommend segregation of certain key duties (especially reconciling the bank statements) through assignment of duties to existing Board members. For example, a Board member, not associated with the handling of the Township's cash and accounting records, could receive the monthly bank statement directly from the bank, complete the bank reconciliations and agree the reconciled balances to the treasurer's reported balances. This process will strengthen internal controls and partially mitigate the weaknesses due to the lack of segregation of duties. In addition, we recommend that the Board remain involved in the financial accounting affairs of the Township by providing oversight and independent review of the accounting functions, as appropriate.

*General Ledger* - The general ledger should be the primary financial record of a Township and should reflect all financial activity of the organization for the year. During our audit, we found it necessary to make several adjusting entries to the March 31, 2003 general ledger.

We recommend that the general ledger be monitored each month and any necessary adjustments be made so that the general ledger balances (debits equal credits). The clerk and treasurer also must compare their records and assure that the reconciled bank accounts agree with the balances recorded within the general ledger.

By following this recommendation, the general ledger will more accurately reflect the Township's financial position and its operations for the period. This comment was also included in the prior years comments and recommendations letter. Although, the condition still exists, the auditors have noticed improvements in the accuracy of the general ledger and the cash balances.

*Transfers between funds* - There were several transfers throughout the year that were not posted to the general ledger at all. This is also a major reason why the clerk's cash balance per the general ledger did not agree to the treasurer's cash balances. Some of these transactions can be confusing, and we recommend that the clerk contact us before posting these entries, and we will provide her the proper entry.

*Periodic Financial Reports* - The local unit's legislative body must be provided periodic financial reports from the treasurer and clerk. These reports will assist the board in determining whether the financial activity of the various funds is within the adopted budgets, and the sufficiency of the cash balances to meet the needs of the current period. The required reports and suggested frequency should include the following:

Treasurer

- |  |         |
|--|---------|
| • Summary report of cash activity by fund  | Monthly |
| • Summary report of cash activity by bank account, certificate of deposit and investment account | Monthly |

Clerk

- |   |         |
|---|---------|
| • Balance sheet by fund   | Monthly |
| • Detail revenue by fund - budget to actual   | Monthly |
| • Detail expenditures by fund - budget to actual                                    | Monthly |
| • List of bills to be approved for payment  | Monthly |
| • Separate list of bills paid prior to approval pursuant to a board approved policy | Monthly |

We recommend that the above reports be prepared according to the suggested frequency.

In producing the above reports, it will help insure the board of the financial condition of the Township each month.

#### *Payroll and Payroll Tax Returns*

During audit, we examined support for wage expense, reviewed payroll tax returns to determine that they were properly filed, and determined that the related expense was properly recorded and that any related liabilities were properly recorded. While performing these procedures, we discovered errors had been made in the payroll process, and wages and payroll taxes were not posted correctly to the general ledger. We also found that the software failed to post four payrolls to the general ledger and several manual paychecks were never posted to the general ledger.

As a result of these errors, payroll reports generated by the software system and used in preparation of the payroll tax reports were incorrect and the quarterly reports filed were incorrect. It will be necessary to amend forms 941 - Employer's Quarterly Federal Tax Return.

#### **Other Matters**

##### GASB Statement No. 34

The Governmental Accounting Standards Board Statement No. 34 requires that more understandable and useful financial reports will be provided to a wider range of users than the current reports. The new financial reporting model requires governments to present certain basic financial statements as well as management's discussion and analysis and certain other required supplementary information. Auburn-Williams Fire Protection District will be effected by GASB Statement No. 34 during the period ending December 31, 2004; however, earlier adoption is certainly allowed.

In anticipation of this change, the District will need to take an inventory of its fixed assets during 2003. At a minimum, the inventory will need to include an asset description, date of purchase or construction, cost and an estimated useful life. We will rely on this information when preparing the District's financial statements using the new format.

#### **Conclusion**

The above conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the March 31, 2003 financial statements, and this report does not affect our report on those financial statements dated April 30, 2003. We have not considered internal control since the date of our report.

Billings Township

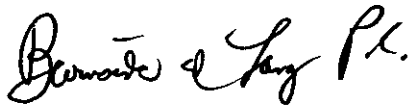
August 11, 2003

Page 4.

This report is intended solely for the information and use of management, others within the organization, the Billings Township Board, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We appreciate the cooperation received from the management and employees of Billings Township during the course of our engagement. Please contact us if there are any questions concerning the above comments and recommendations or if our assistance is desired in their implementation.

Sincerely,

A handwritten signature in black ink, appearing to read "Burnside & Lang P.C.", written in a cursive style.

**BURNSIDE & LANG, P.C.**